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SUBJECT: GERMAN CHANCELLOR REAFFIRMS STRONG RELATIONSHIP
-- WITH VIETNAM

1. (U) SUMMARY. German Chancellor Gerhard Schroeder's visit to Hanoi focused on economics and concluded with a number of economics-related agreements, but also touched, albeit briefly, on a number of other issues, including Iraq, transnational crime, and counterterrorism. Schroeder did not raise the issue of human rights, but in speech at Hanoi Polytechnic University, he discussed the need for Vietnam to allow a freer flow of information, especially via the Internet. A reciprocal visit by the GVN Prime Minister in 2004 "is possible." END SUMMARY.

2. (U) (U) Schroeder is the second German Chancellor to visit Vietnam in recent years. In 1995, then-Chancellor Helmut Kohl visited. In 2001, Wolfgang Thierse, President of the Federal Parliament visited. On the Vietnamese side, Former Prime Minister Vo Van Kiet visited in 1993; Prime Minister Phan Van Khai visited in 2001.

3. (SBU) Schroeder's visit to Vietnam came at the end of a swing through Asia that included stops in Indonesia, Malaysia, and Singapore. According to press reports, the long-planned visit to the region was in jeopardy due to concerns over SARS. However, the Chancellor decided to go forward with the trip, albeit with a reduced entourage. During his stay in Hanoi, Schroeder met with Prime Minister Phan Van Khai, Communist Party Secretary General Nong Duc Manh, and President Tran Duc Luong. Schroeder also gave a speech at the Hanoi Polytechnic University before about 750 students, faculty, and alumni of German institutions.

4. (SBU) The visit, originally planned for two days, ran from the evening of May 14 through May 15. The reason for the shortened visit in Vietnam was Schroeder needed to return to Germany to meet Secretary Powell. According to Dr. Bui Huy Khoat, Director of the Institute of European Studies of the National Centre for Social Sciences and Humanities, the GVN "was relieved" that Schroeder did not cancel his visit. Between the SARS crisis and the meeting with Powell in Germany, it appeared that the short visit to Vietnam might not take place at all. Also, fewer officials accompanied Schroeder than originally planned due to the SARS threat. Based on guidance from the German health authorities, the entourage accompanying Schroeder was reduced from 60 to 30, mainly at the expense of the German business community. Prominent officials accompanying Schroeder included Minister of Economics and Labor Wolfgang Clement and Heinrich von Pierer, the CEO of Siemens. According to a German embassy contact, von Pierer participated as the head of the Asia-Pacific Committee of the German Business Association. (Note: According to the German emboff, Siemens has an MOU with the Ministry of Industry to conduct a feasibility study for construction of a metrorail project in and around Ho Chi Minh City. End Note).

5. (SBU) According to Dr. Khoat, the relationship with Germany as "perhaps the most important within the EU for Vietnam." He noted that Vietnam and Germany have strong ties due to the large (approximately 85,000) overseas Vietnamese population. In addition, Vietnam has "about 40,000" German speakers, most of whom studied or worked in the former German Democratic Republic. According to German embassy figures, 7,000 Vietnamese academics have graduated from German universities and in 2002, about 1,600 Vietnamese were enrolled in German institutions of higher learning.

AGREEMENTS

16. (U) At the conclusion of the visit, Germany and Vietnam signed an aid package worth about USD 76 million, according to the German embassy. The package includes:
--Sanitation improvement in several provincial capitals (USD 52.5);
--hospital services improvement in northwest Vietnam (USD 10.5);
--flood damage repair in the Mekong region (USD 9.3); and
--upgrading of vocational schools (USD 3.5).
In addition to these measures, the two sides also signed a

joint statement on tourism cooperation.

STRONG ECONOMIC TIES

17. (SBU) Germany is Vietnam's largest European Union (EU) trading partner. In 2002, Germany accounted for 28 percent of trade between Vietnam and the EU, with two-way trade amounting to about USD 1.9 billion, according to press reports. According to the German embassy, Vietnam's exports to Germany are about double its imports. Vietnam's most important exports to Germany include shoes, garments, and coffee. The leading German exports to Vietnam include machinery and chemicals. Germany is also an important source of official development assistance for Vietnam and its third largest bilateral donor. In 2002, Germany provided about USD 36 million of loans and grants to Vietnam.

BUSINESS COMMUNITY'S VIEWS

18. (SBU) Economics and Labor Minister Clement met with representatives of the German business community (most of whom traveled up from Ho Chi Minh City) for a breakfast meeting on May 15. According to the German emboff, the businessmen raised "normal complaints" such as the lack of transparency and the frustrations of dealing with the GVN economic bureaucracy. More importantly, they appeared "somewhat frustrated" over what they perceive as having to operate at a disadvantage since implementation of the U.S. - Vietnam bilateral trade agreement in December 2001.

19. (SBU) According to our emboff contact, one of the businessmen told Clement that since two-way trade with Germany only increased by about three percent in 2002, German business people were "disadvantaged" compared to their US counterparts. In a meeting with Deputy Prime Minister (and former Trade Minister) Vu Khoan, Clement raised this issue and received assurances from Vu Khoan that Germany, as well as other European Union countries, "will be treated equitably." Clement also told his hosts that Germany will continue to support Vietnam's accession to WTO, according to the German emboff.

ON THE POLITICAL FRONT

10. (SBU) According to Dr. Khoat, Vietnam and Germany have no "serious bilateral political issues." During the meetings, areas such as Iraq, counterterrorism, and transnational crime were "touched upon." The German emboff said that Germany and Vietnam are "rather close" on Iraq and counterterrorism to the extent that both countries share the view that the United Nations should play a "key role." Regarding crime, the leaders briefly discussed mutual concerns regarding transnational crime and its connection to the Vietnamese community in Germany, but the discussions were "not substantive," according to our German embassy contact. Schroeder, however, did receive assurances from his hosts that Vietnam would "continue to cooperate" with German law enforcement authorities.

11. (SBU) Regarding human rights, Schroeder did not specifically raise the issue with his hosts; however, he did present Prime Minister Khai the EU's list of 24 prisoners of concern. According to our emboff contact, the Prime Minister accepted the list without comment. At a speech at the Hanoi Polytechnic University, Schroeder did speak about the need for Vietnam to have a "freer information flow, particularly via the Internet." According to the German emboff, the event was "a highlight" of the visit because it was the type of situation where Schroeder is "most comfortable." When Schroeder formally handed over five new scholarships to the Polytechnic's rector, Schroeder received a big laugh when he told the audience, "It is better to come as an uncle bringing gifts than as an aunt who only plays the piano."

WHAT'S NEXT

12. (U) Separately, Dr. Khoat and the German emboff said that further high-level visits are unlikely this year. However, Dr. Khoat predicted that the GVN Prime Minister "might visit" sometime in 2004.
BURGHARDT